BACIT LIMITED

ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 26 OCTOBER 2012 TO 31 MARCH 2013

July 2013

Dear Friend

Here at The Institute of Cancer Research, London, we are enormously grateful to the support we have received from the shareholders and fund managers of BACIT. Your generosity has been extraordinary, and I hope it will enable us to do extraordinary things.

The Institute of Cancer Research (ICR) is one of the world's most influential cancer research institutes, with a track record of achievement dating back more than 100 years. We provided the first convincing evidence that DNA damage is the basic cause of cancer, and today lead the world at isolating cancer-related genes and discovering new targeted drugs for personalised cancer treatment.

But we are a charity, and none of our pioneering research would be possible without the fantastic generosity of our supporters, donors and corporate partners. I believe the very substantial support we are receiving from BACIT can take us to a whole new level. It will allow us to invest in the latest high-tech equipment and to set up commercially viable projects to bring new cancer drugs into the clinic. And best of all, the long-term commitment we have received from BACIT will allow us to plan for the future, and make investments in the research initiatives we believe will deliver the discoveries of tomorrow.

With BACIT's help, we are on course to fulfil our mission of making the discoveries that defeat cancer - to the benefit of patients in the UK and worldwide.

Yours sincerely

Alan Ashworth

Professor Alan Ashworth FRS, FMedSci
Chief Executive

The Institute of Cancer Research

Professor Alan Ashworth FRS, FMedSci
Chief Executive

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Peter Hames
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Colin Maltby
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Jon Moulton
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MANAGEMENT TEAM OF THE GENERAL PARTNER

Arabella Cecil
Thomas Henderson
John McDonald
Jorge Villon

CHAIRMAN'S STATEMENT

Dear shareholder,

Thank you for investing in BACIT Limited (the "Company"). I am delighted to welcome you as a shareholder and introduce our first annual report, for the period 26 October 2012 to 31 March 2013.

The Company has made a very strong start. Since listing on 26 October 2012 the share price has risen from 100.0 pence to 112.5 pence and the net asset value per share from 98.6 pence to 111.1 pence at 31 March 2013. By 31 March 2013 the Company was 85% invested in 26 funds from 19 managers.

We will pay a dividend of 1.0 pence on 16 August 2013. This is in excess of the pro-rated yield of 2% on the issue price as indicated in the Company's prospectus.

The Group is making a donation of £492,829 to the Institute of Cancer Research ("ICR") and £492,829 to the BACIT Foundation, for onward distribution among the charities nominated. In the full year to 31 March 2014 we will make donations of 1% of the value of net assets. We also expect to make our first investment of up to 1% of net assets in the ICR’s drug discovery programme in the next year.

Conceiving, launching and investing a unique fund is a huge effort. I want to thank my fellow directors, our advisers, administrators and, above all, our management team for all they have done to give the Company such a successful start.

Since the period end the net asset value and share price have increased to 113.9 pence and 119.9 pence respectively at 31 May 2013. There is a large universe of strong managers available to us and we are looking at options to increase the Company’s size so we can allocate assets to more managers. We believe we are well placed to deliver superior returns to investors and a rising stream of donations to charities.

Jeremy Tigue
Chairman
8 July 2013

REPORT OF THE MANAGEMENT TEAM OF THE GENERAL PARTNER

BACIT Limited (the "Company") listed on 26 October 2012 and between that date and the financial period end on 31 March 2013 the Company's Net Asset Value ("NAV") increased by 12.69%, the FTSE All-Share rose by 11.78% and the HFRI Fund of Funds Strategic Index by 12.30% (£) and 5.77% (US$).

The Company had invested 70% of NAV by early November 2012 and ended the financial period with 95.4% committed, of which 85% had been invested across 26 underlying funds and 19 managers.

The Company was well paid for the risk it took during this financial period. From launch the portfolio was positioned net long risk assets and short Sterling against the US Dollar; both of these stances contributed to returns, presented as they are in Sterling. We invested a third of the portfolio with long-short managers who have taken a cautious approach to gearing and allocated significant capital to idiosyncratic opportunities. As neither of these move in lock-step with risk assets we would not typically expect the Company to keep pace with global equity markets on a bull run. That the portfolio did so, in spite of being on average around 80% invested during that time, was largely the result of the performance of the underlying managers and the rapid re-rating of Japan.

The risks we believed the market had underestimated when the Company launched included the scale of the US recovery and that, combined with the extremely loose monetary policy of the major Central Banks, meant inflation was a greater risk than deflation. The Company was therefore positioned to benefit from visible inflation in the world's leading developed economies, and we also made a small allocation to gold and gold miners.

Net Long Risk Assets

The portfolio was substantially invested into funds which invest in equities (47%) at the period end and just over half of this was allocated to managers who will invest short as well as long the asset class. Of the 23% of NAV invested in long-only equities, over half was allocated to neglected markets which are described below and some of which have enjoyed a re-rating during the reporting period. Valuation measures rose almost across the board over the five months to March, increasing the relevance of stock and bond picking talent to identify real value, preferably backed by sound financials.

To tilt the odds further in our favour, in October the Company invested into three geographies whose ratings suggested they were unpopular with the investing community. These were Russian (3.9% of NAV), African (2.9%) and Japanese (5.9%) equities. The Russian and African investments represented toes in the water, pending confirmation that market sentiment had changed. Encouraged by the altered tone of the QE rhetoric emanating from Japan over the late summer and autumn last year, the Company made two investments into Japanese equities in October. As Yen devaluation was a central plank of the Japanese administration's approach to creating an export-led recovery, the Company bought into a Sterling share class in one fund and a US Dollar share class in a second. In both instances the underlying manager hedges his holdings into the share class currency. These holdings had grown to over 8% of the portfolio by the Company's financial period end.

We are grateful to have access to the range of investing expertise in Japan that we do, from large cap stocks to takeover candidates at the other end of the scale. Our managers suggest that a successful hostile takeover is what would substantially reset prices further from current levels, though the scale of the Japanese private sector which is woefully underweight domestic equities (US$56tn invested in liquid assets versus the combined value of the Nikkei and the Topix of US$5tn) evidences the long term potential of the market.

The Company's African and Russian investments account for less than 10% of the portfolio but provide some diversification of the portfolio away from the developed economies, which continue to struggle with high levels of indebtedness, government deficits and weakened banking systems. Both hold the attraction for us of being something of blind spots for investors, given their long histories of poor corporate governance and lack of transparency, accompanied by often highly illiquid financial markets. This means that hefty discounts have been applied to their stock markets, even though consumer numbers and spending are growing strongly from a broadly debt-free base. While the prospect of GDP growth is necessary rather than sufficient for equity prices to rise, there are a number of changes taking place in both markets which lead us to believe that investors will, over time, re-rate these markets and particularly the consumer-facing stocks where our managers have focussed. The Company has bought the hedged US Dollar denominated share class in each instance.

The increased size, liquidity and sophistication of the South African market mean that shorting stock to protect valid investment ideas from wider market or global concerns is now a possibility. This makes the market, and indeed Africa as a continent via the pan-African companies listed in Johannesburg, investible for us in a way that would not have been possible a few years ago.

REPORT OF THE MANAGEMENT TEAM OF THE GENERAL PARTNER

The story in Russia is different. The determination of the Russian authorities to institutionalise the Russian capital markets, and to protect investors from a collapse such as 2008, is now becoming visible in the raft of legislative changes taking effect in 2013. These include a requirement for GAAP accounting for large companies, a move to T+2 trading, clearing for bonds and a 25% dividend pay-out ratio for listed companies with partial state ownership. Additionally, local pension funds which have to date been prevented from investing in equities are expected to have their mandates relaxed.

Finally, and most importantly, the Company can invest in Africa and Russia, and indeed Japan, because managers of long local experience have given the Company access to them.

The Company took only one position in liquid credit (7.3% of the portfolio), deterred by the poor yields on government debt and the meagre corporate credit spreads on offer, suggesting that the asset class was priced for a perfection which left little margin for error. The single investment the Company did make in this area was in US inflation-linked securities, as portfolio insurance should inflation tick up. 'New Normal' is a term which has been increasingly applied to the liquid credit markets, which sounded remarkably like 'This time it's different', a phrase which has historically offered better opportunity on the other side of the trade.

However less liquid credit, with its additional barriers to entry and a recent history which has reduced the number of interested parties still further, can even now offer double-digit unlevered returns. On-going regulatory changes are forcing the departure of certain participants who have become non-economic sellers, and are thus creating some interesting investment opportunities. On the back of these developments the Company has invested in funds providing exposure to US subprime mortgage-backed securities, bank debts which attract a high risk weighting for players constrained by Basel III, and loans to property companies in Europe, where banks have been forced out of the market by a shortage of capital. These holdings represented 9% of the portfolio at the period end. Any leverage in the Company's credit portfolio comes from positioning in the capital structure, rather than from the use of margin and there are no managers in discussion with the Company today which would cause the Company to modify this approach.

Finally, in February the Company met the first capital call from M&G InfraCapital II, the first of the Company's major private investments. Given the Company's ability to raise cash at short notice from its existing holdings, the Company will be following an over-commitment strategy regarding private infrastructure and private equity investments.

US Dollar

At 31 March 2013, 48.9% of the portfolio was invested into US Dollar share classes which have been left unhedged, and 5.6% invested into Euro denominated share classes which are hedged back into Sterling.

At the launch of the Company we expected this US$ exposure to dampen volatility but as we reported in January the dollar's inverse correlation to risk assets broke down at the start of the year, as the trajectories of the US recovery and those of Europe and Asia diverged. The US recovery remains much stronger than those of the other large economies, buoyed by a housing market that continues to mend and lower energy prices on the back of the shale revolution. Recovery in the UK remains in the balance, the next election will come into view before the year is out creating further uncertainty, and the OECD's view is that Sterling's fair value has moved down from $1.47 to nearer $1.40.

The Company continues to hedge out Euro exchange rate exposure as injections of liquidity into the financial system by the ECB have cured nothing and structural change on the ground is sporadic rather than systemic. The bottom line remains that Europe has too many debtors and not enough countries willing to finance them. Further, given the Chinese leadership's stated wish to rebalance that economy and the implications for commodity economies and currencies, the attractions of the US Dollar have increased relative to many currencies beyond the Euro and Sterling.

This currency exposure will probably increase the volatility of the Company's returns: buying US Dollar denominated share classes and electing not to hedge them back into Sterling added 3% to performance during this accounting period. However, we assess this to be a price worth paying in view of our wish to preserve investors' purchasing power, the risks of timing a hedge, and our view that the ultimate level of sterling against the US Dollar will be below today's. Whilst we have endeavoured to construct a portfolio whose returns exceed the volatility of those returns, avoiding permanent loss of capital is our main goal.

REPORT OF THE MANAGEMENT TEAM OF THE GENERAL PARTNER

Flexibility of Approach
In addition to trying to invest in undervalued markets, the Company also sets particular store by flexibility of approach and optionality of outcome – the ability, if the facts change, for a portfolio manager to change its mind. A part of the portfolio requires commitment to a long-term time horizon, but only a minority of the Company's managers are required to be fully invested and are long-only.

It is worth emphasising the point mentioned in reference to the Company's African investments: by the financial period end a third of NAV had been invested into funds whose performance does not require the increase in value of the asset class into which they invest. By the time of writing this portion had grown to 40%. The managers of this group of funds can elect to be long or short the assets they buy and a number of them express their opinions through instruments with loss limits, such as options. These options may expire worthless if the manager is wrong but the manager may make multiples of its original investment if its thesis is proved correct.

At the risk of repetition, we are keen to make our investors money but also to choose those managers with a history of capital preservation through disciplined risk management and a talent for constructing asymmetric trades. These skills are particularly useful for investing in volatile asset classes such as commodity contracts and currencies and all of our exposure to those asset classes is managed by managers employing these techniques. Fields that proved particularly fertile for our managers included European power, and the dynamics unleashed by the rebalancing of the Chinese economy and by Abenomics in Japan.

Consolidated Portfolio Statement (see page 21): Category Descriptions

As shareholders will recognise, we could have categorised the funds in a number of ways but for these purposes have chosen to use broadly recognised classifications.

Equity Funds (23.29%)
As UK and Japanese equities, which account for the bulk of these investments, saw a strong bull market over the period, these managers enjoyed a fair wind during the financial period. They contributed significantly to performance with our UK manager rotating out of defensives and into cyclical stocks and our Japanese managers investing in a range of opportunities which included exporters and take-over candidates.

Equity Hedge Funds (23.86%)
The managers in this group expose the Company to the geographies of Europe, Australia and South Africa, as well as to mining and tech stocks. They delivered constructive risk-adjusted returns, capturing much of the bull market enjoyed by the long-only managers described above but with less volatile returns. This performance has continued beyond the financial period end, in the challenging markets of the second quarter.

Commodity Funds (12.16%)
The Company is exposed to globally traded agricultural commodities, northern European electricity prices, gold, and the equity of companies mining base and precious metals through this group. The asset prices in this subset are volatile and these funds' risk management is of paramount importance. The managers' performances have historically been uncorrelated with one another, and this has continued since the Company's investment, which has muted the volatility of the aggregate returns of this group further. As a whole they contributed significantly to NAV during the period.

Credit Funds (9.52%)
The price and therefore performance of the less liquid credit that we have targeted for this part of the portfolio tends to be less correlated to equity markets and more dependent on its own idiosyncratic drivers than its more liquid counterparts. We have focussed on credit which will benefit from the US recovery and from the changes to bank regulation following the Global Financial Crisis. All of the funds in this group delivered steady positive returns which were consistent with their mandates and our expectations, during the financial period.

Other Strategies (16.64%)
This group includes four funds following such diverse strategies as convertible bond arbitrage, long-only inflation-linked bonds, global macro with a Pacific Rim focus and investing in private infrastructure opportunities. The infrastructure investment was made during February 2013 and thus it is too early to comment meaningfully on its performance but the Company invested in the first three funds listed above on 1 November 2012, each of which delivered solid risk-adjusted returns which were ahead of expectations.

REPORT OF THE MANAGEMENT TEAM OF THE GENERAL PARTNER

Since the Financial Period End

Since March the end of the US Federal Reserve's policy of Quantitative Easing has come into view. As described above, the Company has made only small allocations to liquid credit, given concerns about the low level of US rates and credit spreads globally, and these fears have been borne out. The Company similarly allocated only to those Emerging Markets it believed had been neglected to date, given its concerns about the impact of the potential repatriation of US dollars on the value of emerging market assets, and all of these investments are hedged into US Dollars. Notwithstanding those side-steps, the Company is net long risk assets, including some bought at much lower levels in Japan. Recent setbacks in the equity markets particularly are expected to reduce the Company's NAV, though at the time of writing the majority of the managers reporting performance to the Company since the period end continued to outperform the relevant benchmarks.

On a separate note, since the period end Permira, one of Europe's largest private equity partnerships, has announced the first close of Permira V and we expect the first capital call to follow in the coming weeks. We have signed commitments of just over £30m with M&G InfraCapital II and Permira V (£15m and €18.7m respectively) and expect to meet these commitments over the next six years.

We have also added to four existing holdings and invested into one fund – SW Mitchell Emerging Europe Fund – which was not included in the Company's listing prospectus. At 1 June 2013 the Company was 93% invested.

This brings us finally to the purpose of the Company and what we are doing with the beginnings of the endowment-like stream of income you have created by investing in the Company. We are working closely with the Institute of Cancer Research ("ICR") to make the Company's first investment into their drug discovery prospects. This is currently expected to be during the third quarter of this year. The market will be informed of any significant progress on this front.

A similar amount will also become available to the charities on the Company roster. Half of this sum will go automatically to the ICR and the destination of the balance will be for holders of shares at 31 March 2013 to determine. Any unallocated monies will be split equally between the charities.

Thanks

The progress the Company has enjoyed to date is the result of the goodwill of a great number of parties.

We are enormously thankful to our existing managers for getting the Company off to such a promising start. Their mandates and mind-sets permit the use of only reasonable leverage and concentration. Even so, the long-biased managers beat their benchmarks pretty much across the board and the relative value managers contributed similarly impressively. In addition the Company is fortunate to be the beneficiary of first class advice in assessing the potential of the ICR's drug prospects. We are extremely grateful to this group and also to the Company's board members, investment bankers, lawyers and administrators. Their thoughtful guidance and hard work provided the launch pad for the Company and are essential for keeping the Company on track.

We will continue to endeavour to invest with the blue chip names of today and tomorrow and we welcome those managers who are now considering becoming part of the Company. Ultimately, the Company's success is highly dependent on the philanthropy of the talented managers with whom we invest and we are sincerely indebted to them all.

BACIT Management Team
3 July 2013

BOARD MEMBERS

The Directors of the Group, all of whom are non-executive, are listed below:

Jeremy Tigue (Chairman), aged 53, has more than 30 years investment experience. He joined F&C Management in 1981 and has been the fund manager of Foreign & Colonial Investment Trust Plc since 1997. He was a Director of the Association of Investment Companies from 2003 to 2013 and was Chairman of the Institutional Shareholder Committee from 2006 to 2008. He is a Director of Graphite Enterprise Trust PLC and The Mercantile Investment Trust plc. Mr Tigue is a resident in the UK.

Tom Henderson, aged 47, has 24 years experience working in the financial markets, including the UK, Continental Europe, Russia and the United States. He is the founder and investment manager of New Generation Haldane Fund Management Limited (previously Eden Capital). Previously, Mr. Henderson was a portfolio manager for Moore Capital and prior to that worked with Cazenove & Co. in London and New York. Mr Henderson is a resident in the UK.

Peter Hames, aged 51, is a non-executive director of Polar Capital Technology Trust Plc, MMIP Investment Management Limited and is an independent member of The Operating Committee of Genesis Asset Managers LLP. Mr Hames started his investment career working for The Iveagh Trustees Limited, a family office which handled the financial affairs of various members of the Guinness family. In 1990 he joined Aberdeen Asset Management PLC and, in 1992, he relocated to Singapore where he co-founded Aberdeen Asset Management Asia Limited. As Director of Asian Equities he oversaw regional fund management teams responsible for running a number of top-rated and award winning funds. He also played an important role in the development of Aberdeen's Global Emerging Market products. He left Aberdeen in 2010. Mr Hames is a resident in Guernsey.

Colin Maltby, aged 62, is Chairman of BlackRock Absolute Return Strategies Limited and of HarbourVest Senior Loans Europe Limited, a Director of Abingworth BioEquities Fund Limited and a member of the Supervisory Board of Bilfinger Berger Global Infrastructure SICAV SA. He was Head of Investments at BP from August 2000 to June 2007 and was previously Chief Investment Officer of Equitas Limited from its formation in 1996. His career in investment management began in 1975 with NM Rothschild & Sons and included 15 years with the Kleinwort Benson Group, of which he was a Group Chief Executive at the time of its acquisition by Dresdner Bank AG in 1995. He was Chief Executive of Kleinwort Benson Investment Management from 1988 to 1995. Mr Maltby is a Fellow of Wolfson College, Oxford, a Fellow of the Royal Institution of Great Britain and of the Royal Society of Arts, and a member of the Institut National Genevois. Mr Maltby has served as a non-executive Director of various public companies and agencies, and as an adviser to numerous institutional investors, including pension funds and insurance companies, and to private equity and venture capital funds in both Europe and the United States. He is currently an Investment Advisor to Wolfson College, Oxford and was formerly an Investment Advisor to the British Coal Staff Superannuation Scheme. Mr Maltby is a resident in Switzerland.

Nicholas Moss, aged 53, is a founding member and executive director of the Virtus Trust Group, a Guernsey and US based international fiduciary, corporate services and investment consulting business. He has extensive experience in the structuring and administering of complex onshore and offshore structures for corporates and ultra high net worth families as well specifically involved in the selection of investment managers and funds for his clients and their subsequent evaluation and ongoing monitoring. Previously he spent 16 years at Rothschild where latterly he was a managing director within that group's trust division. He holds a selected number of non-executive Board appointments including the London listed, BH Global Limited, Absolute Return Trust Limited and Carador Income Fund PLC. He is a member of the Institute of Chartered Accountants in England and Wales and a resident of Guernsey.

BOARD MEMBERS (Continued)

Jon Moulton, aged 62, is a Fellow of the Institute for Turnaround and a Corporate Financier in the Institute of Chartered Accountants in England and Wales. Mr Moulton is the founder and Managing Partner of the private equity firm Better Capital, chairman of FinnCap, the stockbroker and a member of the Advisory Board of UK government's £2.8 billion UK Regional Growth Fund. Mr Moulton is also a Director and Chairman of the Channel Islands Stock Exchange. Between 1997 and September 2009, he was the Managing Partner and founder of Alchemy Partners. From 1972 to 1978, Mr Moulton was a Manager at Coopers & Lybrand, in Liverpool where he specialised in computer audit and corporate insolvency. He then worked in the M&A group of Coopers & Lybrand in New York for two years before moving to Citicorp Venture Capital, initially in New York and then, from 1981, in London where he was a Managing Director in the LBOs and venture capital group, and a member of the French and German Investment Committees. From 1985 to 1994, he was the Managing Partner and founder of Schroder Ventures, where he focused on LBOs and venture capital, and was a member of the French and German Investment Committees. Between 1994 and 1997, Mr Moulton was the Director in charge of LBOs at Apax Partners. Mr Moulton is a resident in Guernsey.

Martin Thomas, aged 50, is Chairman of Lancashire Holdings Limited and partner and board member of Altima Partners LLP. Previously, he was an official of the Bank of England, most recently on secondment to the EU Commission where he worked in the Financial Services Policy and Financial Markets Directorate of the Internal Market and Services Directorate General. Before Mr Thomas joined the EU Commission he established the Financial Markets Law Committee at the Bank of England. Previously he was Deputy Chief Executive of the Financial Law Panel and, prior to that, senior counsel to the European Central Bank in Frankfurt. Mr Thomas started his career in private practice, specialising in corporate and commercial litigation at Travers Smith and in the law and regulation of financial services at Clifford Chance. Mr Thomas is a resident in the UK.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES

The following summarises the Directors' directorships in other public companies:

Company Name	Stock Exchange
Jeremy Tigue	
Graphite Enterprise Trust Plc	London
The Mercantile Investment Trust Plc	London
Tom Henderson	
None	
Peter Hames	
Polar Capital Technology Trust plc	London
Colin Maltby	
Bilfinger Berger Global Infrastructure SICAV SA	London
HarbourVest Senior Loans Europe Limited	London
Ocean Wilsons Holdings Limited	London and Bermuda
Nicholas Moss	
Absolute Return Trust Limited	London
BH Global Limited	London, Bermuda and Dubai
Carador Income Fund Limited	London
Jon Moulton	
Better Capital PCC Limited	London
Martin Thomas	
Lancashire Holdings Limited	London and Bermuda

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Consolidated Financial Statements for the period from 26 October 2012 to 31 March 2013 which have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

BACIT Limited's (the "Company") first accounting reference date was changed from 31 March 2013 to 25 October 2012. Accordingly, the first annual financial statements the Company produced were to 25 October 2012. Thereafter the Company reverted to a 31 March accounting reference date.

The Directors believe that producing audited statements for the period between the Company's incorporation to 25 October 2012 and audited statements for the period from the listing date to 31 March 2013 should produce more meaningful information for Shareholders than producing audited statements from date of incorporation to 31 March 2013.

Structure

The Company was incorporated in Guernsey on 14 August 2012 as a registered closed-ended investment company under the name Battle Against Cancer Investment Trust Limited. On 20 August 2012, the Company changed its name to BACIT Limited.

The Company makes its investments through BACIT Investments LP Incorporated (the "Partnership"), in which the Company is the sole limited partner and the general partner is BACIT GP Limited (the "General Partner"), a wholly-owned subsidiary of the Company (collectively referred to as the "Group").

The Company's Ordinary Shares were listed on the premium segment of the London Stock Exchange on 26 October 2012 when it commenced its business. The Company raised £206,734,775 during the listing.

The Company has the authority, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008, to acquire up to 14.99% of the Shares in issue. The Company intends to renew this authority annually. However, the Directors have no current intention to utilise this authority.

Initial Investment Objective and Policy

The Group's investment objective is to deliver superior returns from investments in leading long-only and alternative investment funds across multiple asset classes and target an annualised return per Share in the range of 10% to 15% per annum on the offer price of the Shares. Investments will only be made in cases where the relevant investment manager provides investment capacity on a ‘‘gross return’’ basis, meaning that the Group does not bear the impact of management or performance fees on the relevant investment. This is achieved by the relevant manager or fund agreeing with the Group not to charge management or performance fees, by rebating or donating back to the Group any management or performance fees charged or otherwise arranging for the Group to be directly or indirectly compensated so as effectively to increase its investment return on the relevant investment by the amount of any such fees.

The Group intends to achieve the investment objective primarily through investments in long-only funds, hedge funds, private equity funds and real estate funds. The Group may be permitted to borrow and invest in long and short positions in quoted and unquoted equities, fixed income securities, options, warrants, futures, commodities, currency forwards, over the counter derivative instruments (such as swaps), securities that lack active public markets, private securities, repurchase agreements, preferred stocks, convertible bonds and other financial instruments or real estate as well as cash and cash equivalents. The Group may invest on a global basis, including in funds that invest in emerging markets.

The Group makes an annual aggregate donation ("Charitable Donation"), in arrears, of 1% of the period end Net Asset Value ("NAV") to charities, with half donated to the Institute of Cancer Research ("ICR") and half donated to the BACIT Foundation, for onward distribution among other charities in proportions which are determined each year by the Shareholders. Please refer to Note 7 for details.

DIRECTORS' REPORT (Continued)

Initial Investment Objective and Policy (continued)
In addition to the Charitable Donation, the Group intends to invest up to 1% of NAV each year to acquire interests in drug development and medical innovation projects undertaken by the ICR or its subsidiaries which have the potential for commercial development and application (‘‘ICR Projects’’). To the extent less than 1% of NAV is allocated to ICR Projects in any given year, the amount available for investment in such projects as and when appropriate opportunities become available in subsequent years may be increased. The Group has entered into a framework agreement with the ICR effective 1 October 2012, not to knowingly make any investment (directly or indirectly) which contravenes the tobacco restriction contained in the investment policy of the ICR and not to promote any relationship with any other cancer charity other than ICR, except to the extent relevant to the BACIT Foundation.

Going Concern
The Company has been established with an indefinite life. However, the Company’s Articles provide that Shareholders will be entitled to vote on the discontinuation of the Company every five years, starting with the annual general meeting in 2017 and at every fifth annual general meeting thereafter. The vote will require more than 50% of the votes cast on the resolution to be in favour to require the Directors to formulate proposals, to be put to Shareholders within six months of such resolution being passed, for the reorganisation or reconstruction of the Company. These proposals may or may not involve winding up the Company or liquidating all or part of the Company’s then existing portfolio and there can be no assurance that a discontinuation vote will necessarily result in the winding up of the Company or liquidation of all or some of its investments. A special resolution of the Shareholders with 75% or more of the votes cast in favour of the resolution is required to wind up the Company.

The Group's assets currently consist mainly of securities which are readily realisable and accordingly, the Group has adequate financial resources to continue in operational existence for the foreseeable future. Hence the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Results and dividends
The results for the period are set out in the Consolidated Statement of Comprehensive Income on page 26. There were no distributions during the period. Please refer to Note 3 for details.

On 8 July 2013, the Company approved dividends of 1.0 pence to be paid on 16 August 2013. This is in excess of the pro-rated yield of 2% on the issue price as indicated in the Company's prospectus.

Manager and Investment Advisor
The management team of the General Partner (the "Management Team") manages the Partnership's investment portfolio and investment decisions regarding the investment portfolio will be taken by the Management Team with the benefit of advice from a Strategic Advisory Committee to the Partnership. The members of the Management Team are disclosed in the Management and Administration summary on page 1.

Not all members of the Management Team work full time for the Group. The Directors and members of the Management Team may from time to time, in their sole discretion, act as officers or directors of, or managers or investment advisers to, other investment funds or in respect of other clients and may hold board positions or have other business relationships with managers or investments with or in which the Group also invests. They may also make investments, either in a personal capacity, or on behalf of other clients, with managers or in investments with or in which the Group also invests.

The services of the Management Team are provided free of charge. In accordance with the Expenses Deed Agreement (the "Deed") dated 1 October 2012 entered into between the Company, the General Partner and Mr Henderson, Mr Henderson provides office space and equipment for the Management Team and covers specific overheads up to an amount equal to £210,000 per annum. Mr Henderson will, at his discretion, continue to bear expenses above £210,000, and will seek no reimbursement from the Group. Since inception, total expenses paid for by Mr Henderson amounted to £559,407.

DIRECTORS' REPORT (Continued)

Directors
The Directors of the Company during the period and at the date of this Report are set out on pages 7 and 8.

Directors and other interests
As at 31 March 2013, Directors of the Company held the following Ordinary Shares beneficially:

Directors	**Shares 31.03.13**
Jeremy Tigue	250,000
Peter Hames	50,000
Tom Henderson	15,000,000
Colin Maltby	50,000
Nicholas Moss	Nil
Jon Moulton	1,000,000
Martin Thomas	50,000

Corporate Governance
The Company became a member of The Association of Investment Companies ("AIC") on 22 March 2013 and reports against the Principles and recommendations set out in the AIC Code of Corporate Governance ("AIC Code").

Currently, the UK Listing Authority requires all overseas companies with a "Premium listing" (which includes the Company) to "comply or explain" against the UK Corporate Governance Code.

The Board has considered the principles and recommendations of the AIC by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except for the following:

The UK Corporate Governance Code includes provisions relating to:
- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function
- whistle-blowing policy

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company as being an investment company. The Company has therefore not reported further in respect of these provisions. The Directors are non-executive and the Company does not have employees, hence no whistle-blowing policy is required. Details of compliance are noted in the succeeding pages. There have been no instances of non-compliance, other than those noted above.

On 30 September 2011 the Guernsey Financial Services Commission ("GFSC") issued a new Code of Corporate Governance (the "GFSC Code") which came into effect on 1 January 2012. The GFSC Code provides a framework that applies to all entities licensed by the GFSC or which are registered or authorised as a collective investment scheme. Companies reporting against the UK Corporate Governance Code or the AIC Code are deemed to comply with the GFSC Code.

DIRECTORS' REPORT (Continued)

Corporate Governance (continued)
The UK Financial Reporting Council issued a revised Corporate Governance Code in September 2012, for reporting periods beginning on or after 1 October 2012. In February 2013, the AIC updated the AIC Code of Corporate Governance (including the Jersey and Guernsey editions) and its Guide to Corporate Governance to reflect the relevant changes to the FRC document. The updates published by the AIC are consistent with the Corporate Governance Code issued by the UK Financial Reporting Council. Changes to the AIC Code are effective for reporting periods beginning on or after 1 October 2012.

Ongoing Charges
In accordance with the recommended methodology set out by the AIC, Ongoing Charges were calculated based on weighted average NAV. The Ongoing Charges ratio of the Group for the period ended 31 March 2013 was 1.41% including charitable donations and 0.34% excluding charitable donations. Ongoing charges do not include management fees and performance fees or any rebates and donations from the underlying funds or their managers, as there are no such fees payable by the Group. Further, other operating costs may be charged by the underlying funds which are not readily available and are deemed immaterial and are therefore also excluded in the calculation of Ongoing Charges.

Composition and Independence of the Board
The Board currently consists of seven non-executive Directors, all of whom are independent with the exception of Mr Henderson. Under the AIC Code, Mr Henderson is not considered to be independent by reason of his significant shareholding and influence on the Group.

The Chairman of the Board is Jeremy Tigue. Biographies for all the Directors can be found on pages 7 and 8. In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence and has determined that Mr Tigue is an Independent Director. The Company has no employees and there is no requirement for a chief executive.

The Board is responsible for the appointment and monitoring of all service providers to the Group.

The Board holds quarterly Board meetings while the Audit Committee and Nomination Committee meet at least three times a year and once a year, respectively. In addition, there are a number of ad-hoc meetings of the Board to review specific items between the regular scheduled quarterly meetings.

Attendance at the Board, Audit and Nomination Committee meetings during the period was as follows:

	Scheduled Quarterly Board Meetings	Audit Committee Meetings	Nomination Committee Meetings
Number of Meetings Held	1	1	-
Jeremy Tigue	1	Not a member	-
Peter Hames	1	1	-
Tom Henderson	1	Not a member	-
Colin Maltby	1	1	-
Nicholas Moss	1	1	-
Jon Moulton	1	1	-
Martin Thomas	1	1	-

The first Nomination Committee Meeting of the Group will be held in November 2013.

At the Board meetings the Directors review the management of the Group's assets and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Group's affairs.

DIRECTORS' REPORT (Continued)

Composition and Independence of the Board (continued)
At each annual general meeting of the Group, all the Directors at the date of the notice convening the annual general meeting shall retire from office and each Director may offer himself for election or re-election by the Shareholders. In accordance with the Articles, no person shall be or become incapable of being appointed a Director, and no Director shall be required to vacate that office, by reason only of the fact that such Director has attained the age of 70 years or any other age.

All general meetings of the Company shall be held in Guernsey or such other place outside the United Kingdom as may be determined by the Directors from time to time.

The Board, Audit Committee and Nomination Committee will undertake an evaluation of their own performance and that of individual Directors on an annual basis, commencing with the first full financial year. This will include a formal process of self-appraisal together with the Chairman reviewing each member's performance, contribution and commitment to the Group. It is intended that the Group's Nomination Committee will, at its first meeting, consider the Davies Report and its implications to the Group and will also consider the appointment of a Senior Independent Director, who will review the performance of the Chairman. The Chairman also has responsibility for assessing the individual Board members' training requirements.

Management Committee
The Board has not deemed it necessary to appoint a management committee as a result of being comprised wholly of non-executive Directors. The Board is responsible for the review of the performance of the Management Team in relation to the performance of the investment portfolio against agreed benchmarks and other key performance indicators.

Audit Committee
The Group's Audit Committee conducts formal meetings at least three times a year for the purpose, amongst others, of considering the appointment, independence, effectiveness of the audit and remuneration of the auditors and to review and recommend the annual statutory accounts and interim report to the Board of Directors. Where non-audit services are to be provided to the Group by the auditors, full consideration of the financial and other implications on the independence of the auditors arising from any such engagement will be considered before proceeding. The Audit Committee is chaired by Jon Moulton and its other members are Peter Hames, Colin Maltby, Nicholas Moss and Martin Thomas. For the principal duties and report of the Audit Committee please refer to Report of the Audit Committee on page 20.

Nomination Committee
The Company has established a Nomination Committee with the primary purpose of filling vacancies on the Board. The Nomination Committee reviews the Board structure, size and composition, to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time, including the suspension or termination of service of that Director, and to make a statement in the annual report about its activities. The Nomination Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall review its own performance at least once a year, review composition and terms of reference and recommend any changes it considers necessary to the Board for approval. The Nomination Committee shall meet at least once a year and otherwise as required. The Nomination Committee shall be appointed by the Board and shall be made up of at least three members. The Nomination Committee comprises all members of the Board and is chaired by Colin Maltby.

Strategic Advisory Committee
The Partnership has access to a Strategic Advisory Committee which can provide advice to the General Partner on strategic matters regarding the implementation of the Group's investment policy. The Strategic Advisory Committee currently comprises John Chatfeild-Roberts, Greg Coffey, Anne West and Chris Wood. This composition may change from time to time in the event of the resignation of existing members or the appointment, as determined by the General Partner, of additional committee members. There are no specific eligibility requirements for membership of the Strategic Advisory Committee, but the members may include senior representatives of certain investment managers with whom the Group invests. In such a case, the relevant members will be asked not to participate in any discussion regarding any investment in relation to which he or she may have a conflict of interest.

DIRECTORS' REPORT (Continued)

Remuneration Committee
As all the Directors are non-executive, the Board has resolved that it is not appropriate to form a remuneration committee. Directors' remuneration is considered on an annual basis. The Board's collective fees shall not exceed £500,000 in any financial year. The Board may grant reasonable additional remuneration to any Director who performs any special or extra services to, or at the request of, the Group. Further, the Directors shall be paid all reasonable travelling, hotel and other expenses properly incurred by them in and about the performance of their duties. Directors' and Officers' liability insurance cover is maintained by the Group on behalf of the Directors. Refer to Directors' Remuneration Report on page 19 for details of fees paid to the Directors during the period.

Principal Risks and Uncertainties
With the assistance of the Administrator and the Management Team the Board has drawn up a risk matrix, which identifies the key risks to the Group. These fall into the following broad categories:

- Investment Risks: The Group is exposed to the risk that its portfolio fails to perform in line with the Group's objectives if it is inappropriately invested or markets move adversely. The Board reviews reports from the Management Team at each quarterly Board meeting, paying particular attention to the diversification of the portfolio and to the performance and volatility of underlying investments.
- Operational Risks: The Group is exposed to the risks arising from any failure of systems and controls in the operations of the Management Team or the Administrator. The Board receives reports annually from the Management Team and Administrator on their internal controls and reviews pricing reports covering the valuations of underlying investments at each quarterly Board meeting.
- Accounting, Legal and Regulatory Risks: The Group is exposed to risk if it fails to comply with the regulations of the UK Listing Authority or if it fails to maintain accurate accounting records. The Administrator provides the Board with regular reports on changes in regulations and accounting requirements.
- Financial Risks: The financial risks, including market, credit and liquidity risk faced by the Group are set out in Note 17 on pages 40 to 45. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting. The risks on this note do not reflect the risks of the underlying investment portfolios of the financial assets at fair value through profit or loss ("investment entities") in the Group's Consolidated Statement of Financial Position. The Group has very significant indirect exposure to a number of risks through the underlying portfolios of the investment entities however this is the intention of the Group in order to achieve capital gains. There is no sensible mechanism to "control" these risks without considerably prejudicing return objectives. Due to the lack of transparency in many of the underlying assets it is not possible to quantify or hedge the impact of these risks on the portfolio as each investment entity may have complex and changing risk dynamics that are not observable or predictable. These risks will include extensive interest, foreign exchange and other market risks which are magnified by significant gearing in many cases, resulting in increased liquidity and return risk.

Foreign Account Tax Compliance Act
The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of assets of US persons in foreign accounts and improving US tax compliance with respect to those assets. The States of Guernsey has recently announced that it has decided to enter into an intergovernmental agreement ("IGA") with US Treasury in order to facilitate the requirements under FATCA and is currently in negotiations with regards to how this is to be implemented and, as a result, the impact this will have on the Company remains unknown. The Board is in the process of ensuring the Company complies with FATCA's requirements.

UK-Guernsey Intergovernmental Agreement
The States of Guernsey are in the process of finalising a draft intergovernmental agreement with the UK ("UK-Guernsey IGA") under which potentially mandatory disclosure requirements may be required in respect of Shareholders who have a UK connection. As at the date of this document details of the finalised terms and effective date of the UK-Guernsey IGA have yet to be announced. Once signed, the UK-Guernsey IGA would be subject to ratification by Guernsey's States of Deliberation and the relevant legislation would have to be introduced. It is currently anticipated that any such legislation will not come into effect until 2016 at the earliest. Whereas the impact of the UK-Guernsey IGA on the Company and the Company's reporting responsibilities pursuant to the UK-Guernsey IGA are not currently known, the Board is monitoring implementation of the UK-Guernsey IGA with the assistance of its legal advisers and accountants.

DIRECTORS' REPORT (Continued)

Alternative Investment Fund Managers Directive

The EU Alternative Investment Fund Managers Directive (No. 2011/61/EU) ("AIFM Directive") is scheduled to be transposed into the national legislation of each EU Member State with effect from 22 July 2013. The AIFM Directive imposes a new regime on managers of investment funds located in the EEA and on the marketing of funds in the EEA, including by non-EEA manager. The AIFM Directive is likely significantly to increase management costs, including regulatory and compliance costs, of the investment managers and investment funds that are subject to the AIFM Directive. The Company does not intend to comply with the AIFM Directive except to the extent that it may be required to comply with certain provisions of the AIFM Directive in order to permit the marketing of the Company's shares in EEA Member States following 22 July 2013 and in respect of reporting to the competent regulatory authorities in those member states in which the Company's shares are marketed after 22 July 2013.

Dependence on Tom Henderson and Others

Thomas Henderson and the rest of the Management Team have each agreed to work for the Group without remuneration and Mr Henderson will also meet certain running costs of the Group up to an amount equal to £210,000 per annum. Mr Henderson may terminate the Deed at any time on 12 months' notice, or immediately in certain specified circumstances. There is no obligation on Tom Henderson to provide support in relation to the appointment of new management prior to any decision to cease to be involved with the Group. In addition, Mr Henderson has a developed network of contacts in the asset management industry, from which many of the Group's investment opportunities have arisen. Should Mr Henderson cease to be involved with the Company, it may be more difficult for the Group to source investment opportunities, on a ''gross return'' basis. The Company is subject to the risk that Mr Henderson or certain other individuals will cease to be involved with the Group and that no suitable replacement will be found who is willing to work without remuneration from the Group and/or to pay the same Group expenses, which could have a material adverse impact on the ability of the Group to successfully implement its investment policy and as such on the Company's business, results of operations and/or financial condition. In addition, should Mr Henderson cease to be involved with the Company and the Directors be unable to recommend alternative arrangements for the management of the Company's investments, the Directors may be obliged to put proposals to Shareholders regarding the discontinuance of the Company. Since inception, total expenses paid for by Mr Henderson amounted to £559,407.

BACIT Foundation

As discussed in the Group's investment objectives and policy, 0.5% of the Company's period end NAV is donated annually by the Group to the ICR. The other 0.5% is donated to the BACIT Foundation, and is then granted, net of running expenses, by the BACIT Foundation to the charities named in the list set out elsewhere in this annual report. There is a formal process allowing the Board to scrutinise the list, which has been duly conducted.

For this inaugural year, the list of charities is substantially the same as that set out in the document surrounding the Company's launch. The BACIT Foundation's trustees have considered carefully which charities to include in the list, aiming to make sure both that expectations raised during the process of getting the Company up and running are met, and that the Company's shareholders, when given their opportunity to allocate the donation among charities, have an appropriate range to choose from.

The charitable objects of the BACIT Foundation relate primarily to the prevention, treatment, cure and ultimately eradication of cancer, but also cover diseases allied to cancer, and such other charitable objects and organisations as the foundation may from time to time consider desirable. The trustees have considered a number of requests for funding that have been received as a result of the publicity attention upon the Company's launch. These applications have been predominantly received from charities associated with cancer in all of its forms, and that, too, has operated to inform the trustees' decision.

As the NAV of the Company grows, so too will the amount that is to be donated by the Group to the charities selected by the BACIT Foundation and, over time, the trustees intend to respond to this hoped-for growth with an increasingly sophisticated selection, monitoring and impact measurement process.

DIRECTORS' REPORT (Continued)

Relations with Shareholders
The Net Asset Value figures are published monthly. The Directors plans to implement regular dialogue with institutional shareholders, the feedback from which will be reported to the Board and the Chairman. Shareholders who wish to communicate with the Board should contact the Administrator in the first instance, whose contact details can be found on page 1. In addition, Board members will be available to respond to shareholders' questions at the Annual General Meeting.

Jon Moulton
8 July 2013

Nicholas Moss
8 July 2013

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable laws.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in conformity with International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable law.

The Consolidated Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these Consolidated Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

We confirm to the best of our knowledge that:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's Auditor is aware of that information;

- these Financial Statements have been prepared in conformity with IFRS and give a true and fair view of the financial position of the Company;

- these Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy; and

- these Financial Statements include information detailed in the Chairman's Statement, the Directors' Report, the Report of the Management Team of the General Partner and the notes to the Financial Statements, which provides a fair view of the information required by:

(a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and

(b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

Signed on behalf of the Board by:

Jon Moulton Nicholas Moss
8 July 2013

DIRECTORS' REMUNERATION REPORT

Introduction
An ordinary resolution for the approval of the annual remuneration report will be put to the Shareholders at the annual general meeting to be held in 2013.

Remuneration Policy
All Directors are non-executive and a Remuneration Committee has not been established.

The Articles of Association provide that, unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two and the aggregate remuneration of all Directors in any twelve month period, or pro rata for any lesser period shall not exceed £500,000 or such higher amount as may be approved by ordinary resolution. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and time committed to the Company's affairs.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.

The Board shall have the power at any time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. The number of Directors shall not be less than two and there shall be no maximum number unless otherwise determined by the Company by Ordinary Resolution. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Remuneration
Each Director is entitled to a fee of £20,000 per annum, except for the Chairman who is entitled to £30,000 per annum. For the period ended 31 March 2013, Mr Tigue and Mr Henderson have waived their rights to receive their fees.

For the period to 31 March 2013, the Directors' fees were as follows:

	2013
	£
Jeremy Tigue	Nil
Tom Henderson	Nil
Peter Hames	12,548
Colin Maltby	12,548
Nicholas Moss	12,384
Jon Moulton	12,548
Martin Thomas	12,384

Other than the above, there were no other fees paid to the Directors.

Signed on behalf of the Board by:

Jon Moulton   Nicholas Moss

8 July 2013

REPORT OF THE AUDIT COMMITTEE

The Company has established an audit committee with formally delegated duties and responsibilities within written terms of reference (which are available from the Company's Secretary).

The audit committee is chaired by Jon Moulton, and its other members are all independent directors. Only independent directors serve on the audit committee and members of the audit committee have no links with the Company's external auditor and are independent of the Management Team. The audit committee meets no less than three times a year in Guernsey, and meets the external auditor at least twice a year in Guernsey. The membership of the audit committee and its terms of reference are kept under review. The chairman of the audit committee is a non-UK tax resident.

The principal duties of the Audit Committee are to consider the appointment of external auditors, to discuss and agree with the external auditors the nature and scope of the audit, to keep under review the scope, results and effectiveness of the audit and the independence and objectivity of the auditors, to review the external auditors' letter of engagement and management letter and to analyse the key procedures adopted by the Group's service providers. The audit committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. The audit committee is also responsible for overseeing the Company's relationship with the external auditor, including making recommendations to the Board on the appointment of the external auditor and their remuneration. The current auditors have just concluded their first audit of the Company since Listing – no change is proposed.

The committee considers the nature, scope and results of the auditor's work, monitors the independence of the external auditor, and reviews, develops and implements policy on the supply of non-audit services that are to be provided by the external auditor. All non-audit services are pre-approved by the Audit Committee after they are satisfied that relevant safeguards are in place to protect the Auditors' objectivity and independence. The audit committee also reviews, considers and, if thought appropriate, recommends for the purposes of the Company's financial statements valuations prepared by the Management Team. These valuations are the most critical element in the Company's financial statements and the Audit Committee questions them carefully.

The Management Team of the General Partner and Administrator together maintain a system of internal control on which they report to the Board. The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Management Team of the General Partner and Administrator, including the Administrators' internal audit functions, provide sufficient assurance that a sound system of risk management and internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

It also receives and reviews reports from the Company's external auditor relating to the Company's annual report, half yearly report and financial statements. The audit committee focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained.

Ultimate responsibility for reviewing and approving the annual report and financial statements remains with the Board.

Jon Moulton
Audit Committee Chairman
8 July 2013

CONSOLIDATED PORTFOLIO STATEMENT

As at 31 March 2013

	No. of shares held on 31.03.13	Fair Value £	% of Total Value of Group as at 31.03.13
Equity Funds			
BlackRock UK Special Situations Fund			
UK equities	625,390.87	11,497,811	5.00%
Majedie Asset UK Equity Fund			
UK equities	3,282,634.86	13,757,851	5.99%
Polar Capital Japan Alpha Fund			
Japanese large and mid cap equities	7,725,985.06	8,216,585	3.58%
Prosperity Russia Domestic Fund Limited			
Russian equities with a domestic focus	6,177,606.18	3,375,986	1.47%
Russian Prosperity Fund			
Russian equities	36,282.83	5,376,534	2.34%
The SFP Value Realization Fund Ltd			
Small and mid-cap Japanese equities	98,194.06	11,278,624	4.91%
		53,503,391	23.30%
Equity Hedge Funds			
Maga Smaller Companies Fund Limited			
European equities (Long/Short)	169,867.02	14,429,367	6.28%
Optimal Australia Absolute Fund			
Australian listed equities (Long/Short)	480,000.00	3,168,705	1.38%
Polygon European Equity Opportunity Fund			
European event driven equities (Long/Short)	100,000.00	7,317,986	3.19%
Polygon Mining Opportunity Fund			
Long gold miners, hedged with commodities and equities	120,000.00	8,088,163	3.52%
S.W. Mitchell European Limited			
European equities (Long/Short)	48,429.99	8,313,314	3.62%
Thyra Global Technology Fund Ltd			
Global tech equities (Long/Short)	9,600.00	6,265,843	2.73%
Tower Fund Ltd			
South African listed equities (Long/Short)	9,527.83	7,203,428	3.14%
		54,786,806	23.87%
Commodity Funds			
Armajaro AIMS Diversified Fund			
Global exchange traded agricultural commodities (Long/Short)	142,823.77	9,461,130	4.12%
BlackRock World Resources Income Fund			
Global Resource companies' equities	4,606,702.75	4,180,122	1.82%
Cumulus Energy Fund Class			
Northern European energy (Long/Short)	13,271.40	8,020,571	3.49%
Genus Dynamic Gold Fund			
Gold Miners' equities	10,558.04	3,089,558	1.35%
Henderson Agricultural Fund Ltd			
Global exchange traded agricultural commodities (Long/Short)	35,609.89	3,173,782	1.38%
		27,925,163	12.16%
Credit Funds			
Chenavari Multi Strategy Credit Fund Limited Class - DX			
European corporate credit through private transactions	93,000.00	8,348,755	3.64%
Chenavari Multi Strategy Credit Fund Limited Class - RX			
European real estate debt, through private and public transactions	42,715.33	4,443,436	1.94%
Residential Real Estate Total Return Opportunities Fund Ltd*			
US subprime mortgage backed securities	32,000.00	2,402,474	1.05%
Wyetree Residential Real Estate Total Return Opportunities Fund*			
US subprime mortgage backed securities	100,000.00	6,682,896	2.91%
		21,877,561	9.52%

CONSOLIDATED PORTFOLIO STATEMENT (continued)

As at 31 March 2013

	No. of shares held on 31.03.13	Fair Value £	% of Total Value of Group as at 31.03.13
Other Strategies			
CG Portfolio Fund Plc			
US TIPs (inflation linked government bonds)	114,211.92	16,701,209	7.27%
Infracapital Partners (NT) II LP			
Private investments in European infrastructure	7,589,098.00	7,775,464	3.39%
Polygon Convertible Opportunity Fund			
US & European convertible arbitrage	100,000.00	7,003,535	3.05%
Sinfonietta			
Equities, rates, FX and commodities, with an Asian focus	80,000.00	6,735,289	2.93%
		38,215,497	16.64%
Total Investments		**196,308,418**	**85.50%**
Other net current assets		33,300,802	14.50%
Total Value of the Group (attributable to holders of Ordinary Shares)		**229,609,220**	**100.00%**

** Fair values based on estimates.*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BACIT LIMITED

We have audited the financial statements of BACIT Limited (the "Group") for the period ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Net Assets Attributable Holders of Ordinary Shares, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Group's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Our assessment of risks of material misstatement

We identified the following risks that we believe to have had the greatest impact on our audit strategy and scope:

- the valuation and ownership of the Group's investments at the period end;
- the valuation of the derivative contract; and
- the revenue recognised, specifically in relation to the rebates received from certain underlying investee funds or their managers.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £4.6 million, which was approximately 2% of the Net Asset Value of the Group. The reason for using Net Asset Value is that this is the key performance indicator for investors in the Group.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £92,000, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BACIT LIMITED (Continued)

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The way in which we scoped our response to the risks identified above was as follows:

- In order to address risk around ownership of the Group's investments held at the period end, we confirmed the holdings to independent third party confirmations provided by the Group's Custodian.
- In order to address the risk around the valuation of the Group's investment we:
    - obtained from independent third parties confirmations of the prices for the purpose of subscription or redemption of interest in the underlying investments in investee funds as at 31 March 2013.
    - performed substantive work to challenge the examination of governance arrangements performed by the Manager in respect of each investment.
    - examined the latest available audited financial statements of investee entities.

There is more detail on the valuation of investments in the fair value section of note 1 to the financial statements.

- In order to address the risk around the valuation of the derivative we obtained an independent third party valuation as well as recalculating the value of the contract using market data.
- In order to address the risk of revenue recognition, specifically in relation to the rebates received from certain underlying investee funds or their managers, we received independent confirmations of the underlying investee funds rebates paid during the period and the balances payable as at 31 March 2013 and agreed the rebates to the investee fund agreements.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters:

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion the information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing the audit; or
- is otherwise misleading.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BACIT LIMITED (Continued)

Matters on which we are required to report by exception (continued)
In particular we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Richard Anthony Garrard FCA
For and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditors
St Peter Port Guernsey
8 July 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 26 October 2012 to 31 March 2013

	Notes	Revenue £	Capital £	26.10.12 to 31.03.13 Total £	14.08.12 to 25.10.12 Total £
Investment income					
Rebates and donations	4	-	467,847	467,847	-
Other income		27,004	-	27,004	-
Total investment income		27,004	467,847	494,851	-
Net gains on financial assets at fair value through profit or loss	5	-	27,077,127	27,077,127	-
Net losses on forward currency contracts	6	-	(433,275)	(433,275)	-
Losses on foreign exchange	6	-	(291,111)	(291,111)	-
Total gain		-	26,352,741	26,352,741	-
Expenses					
Charitable donation	7	985,658	-	985,658	-
Administration fee	8	73,948	-	73,948	-
Custody fee	9	49,300	-	49,300	-
Directors' fees	14	62,411	-	62,411	-
Other expenses		128,212	-	128,212	-
Total expenses		1,299,529	-	1,299,529	-
Profit for the period		(1,272,525)	26,820,588	25,548,063	-
Earnings per Ordinary Share	13	(0.01)	0.13	0.12	-

The total column of this statement represents the Group's consolidated statement of comprehensive income, prepared in accordance with IFRS as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

The Profit for the period is the "total comprehensive income" as defined by IAS 1. There is no other comprehensive income as defined by IFRS.

All the items in the above statement derive from continuing operations.

The notes on pages 30 to 46 form part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF ORDINARY SHARES

For the period from 26 October 2012 to 31 March 2013

	Notes	Share Capital Account £	Capital Reserves £	Revenue Reserves £	Total £
Balance at the beginning of the period		1	-	-	1
Total Comprehensive Income for the period		-	26,820,588	(1,272,525)	25,548,063
Transactions with Shareholders:					
Issuance of shares	13	206,734,775	-	-	206,734,775
Share issue costs	13	(2,673,619)	-	-	(2,673,619)
Balance at the end of the period		204,061,157	26,820,588	(1,272,525)	229,609,220

For the period from 14 August 2012 to 25 October 2012

	Notes	Share Capital Account £	Capital Reserves £	Revenue Reserves £	Total £
Balance at the beginning of the period		-	-	-	-
Transactions with Shareholders:					
Issuance of shares	13	1	-	-	1
Share issue costs	13	-	-	-	-
Balance at the end of the period		1	-	-	1

The notes on pages 30 to 46 form part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	31.03.13 £	25.10.12 £
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	1,10	196,308,418	-
Current assets			
Bank and cash deposits		34,330,093	-
Trade and other receivables	11	180,909	1
Total assets		230,819,420	1
LIABILITIES AND EQUITY			
Current liabilities			
Unrealised losses on forward currency contracts	17	45,680	
Trade and other payables	12	1,164,520	-
Total liabilities		1,210,200	-
EQUITY			
Share capital account	13	204,061,157	1
Distributable Reserves		25,548,063	-
Total equity		229,609,220	1
Total liabilities and equity		230,819,420	1
Total net assets attributable to holders of Ordinary Shares		229,609,219	-
Number of Ordinary Shares in Issue	13	206,734,776	-
Net assets attributable to holders of Ordinary Shares (per share)		1.11	-

The audited Consolidated Financial Statements on pages 26 to 46 were approved on 8 July 2013 and signed on behalf of the Board of Directors by:

Jon Moulton **Nicholas Moss**

The notes on pages 30 to 46 form part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 26 October 2012 to 31 March 2013

	Notes	26.10.12 to 31.03.13 £	14.08.12 to 25.10.12 £
Cash flows from operating activities			
Profit for the period		25,548,063	-
Adjusted for:			
Gains on financial assets at fair value through profit or loss		(27,077,127)	-
Exchange losses on foreign currency translation		291,111	-
Operating cash flows before movements in working capital		(1,237,953)	-
Increase in other receivables		(180,908)	(1)
Increase in other payables		1,154,520	-
Unrealised loss on forward currency contracts		45,680	-
Net cash used in operating activities		(218,661)	(1)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss	10	(169,231,291)	-
Net cash used in investing activities		(169,231,291)	-
Cash flows from financing activities			
Issuance of shares	13	206,734,775	1
Share issue costs	13	(2,663,619)	-
Net cash generated from financing activities		204,071,156	1
Net increase in cash and cash equivalents		34,621,204	
Cash and cash equivalents at beginning of period		-	-
Effects of exchange rate changes		(291,111)	-
Cash and cash equivalents at end of period		34,330,093	-

The notes on pages 30 to 46 form part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 26 October 2012 to 31 March 2013

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Group's financial statements:

Statement of compliance

The Consolidated Financial Statements give a true and fair view, are prepared in accordance with International Financial Reporting Standards (“IFRS”) adopted for use in the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and are in compliance with The Companies (Guernsey) Law, 2008.

Basis of preparation

The Consolidated Financial Statements have been prepared under the historical cost basis, except for investments and derivatives held at fair value through profit or loss, which have been measured at fair value.

Basis of consolidation

BACIT Investments LP Incorporated (the "Partnership") and BACIT GP Limited (the "General Partner") (the "Subsidiaries") are consolidated in full from the date of acquisition, being the date on which the Company obtained control and will continue to do so until such control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired during the period are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition. The financial statements of the Subsidiaries are prepared in accordance with United Kingdom Accounting Standards. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those used by the Group. During the period, no such adjustments have been made.

All intra-group transactions, balances and expenses are eliminated on consolidation.

Due to the Group being in its first year of trading limited comparative information is available and has only been presented where comparative information exists.

Financial Instruments

Financial assets and derivatives are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available for sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace. The Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial assets at fair value through profit or loss (“investments”)

Purchases and sales of investments are recognised on the trade date (the date on which the Group commits to purchase or sell the investment). Investments purchased are initially recorded at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment. Gains and losses on investments sold are recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise. The appropriate classification of the investments is determined at the time of the purchase and is re-evaluated on a regular basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The carrying amounts, being the cost, shown in the Consolidated Statement of Financial Position approximate the fair values due to the short term nature of these loans and receivables. The Group's loans and receivables consists of cash and cash equivalents and trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

1. ACCOUNTING POLICIES (continued)

Forward currency contracts

Forward foreign currency contracts are derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently remeasured at their fair value. Fair value is determined by rates in active currency markets.

Other financial liabilities

Other financial liabilities includes all other financial liabilities other than those designated as financial liabilities at fair value through profit or loss. The Group's other financial liabilities include trade and other payables. The carrying amounts shown in the Consolidated Statement of Financial Position approximate the fair values due to the short term nature of these other financial liabilities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position, if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise assets and settle the liabilities simultaneously.

Fair Value

Investments of the Group that are listed or quoted on a recognised market are valued at bid market price in the relevant market at the statement of financial position date. The valuations of all investments in investment funds are based upon the latest information available to the Group provided by the underlying investment funds in which the Group has invested, except for listed investments where information was taken from business and financial market news sites. The valuation date of such funds may not always be coterminous with the valuation date of the Group and in such cases the valuation of the fund as at the last valuation date is used. The Net Asset Value ("NAV") reported by the fund manager or administrator may be unaudited and in some cases, the notified NAV is based upon estimates. In certain cases the Group adjust values to their best estimate. Whilst the Group have no reason to suppose that any such valuations are unreasonable, the amounts realised from the ultimate redemption or sale of these funds may materially differ from these values.

The Group also invests in private equity funds which are held at fair value through profit or loss. Their value is determined in accordance with the information provided by the investee funds to the Group in relation to such investments, although the Group may make appropriate adjustment to such valuations if acting in good faith it determines that such valuations do not accurately reflect the true value of the investments. The Group's assessment of fair value is determined in accordance with International Private Equity and Venture Capital (‘‘IPEVC’’) valuation guidelines, as the Board consider that the IPEVC valuation methodology used in deriving a fair value is not materially different from the fair value requirements of IAS 39 revised. The Group will also invest in drug development and medical innovation projects undertaken by the ICR or its subsidiaries. These investment are expected to be in the research and development stage. The Board expects to value these investments in line with the IPEVC valuation guidelines. As at 31 March 2013, the Group has not invested in these drug development and medical innovation projects.

Gains and losses arising from changes in the fair value of financial assets are shown as net gains or losses on financial assets through profit or loss in Note 5 and recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

Derecognition of financial instruments

A financial asset is derecognised when: (a) the rights to receive cash flows from the financial asset have expired, (b) the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through arrangement"; or (c) the Group has transferred substantially all the risks and rewards of the financial asset, or has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

A financial liability is derecognised when the contractual obligation under the liability is discharged, cancelled or expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

1. ACCOUNTING POLICIES (continued)

Commitments

The Group has outstanding commitments on investments that are not recognised in the financial statements as a result of the uncertain timing and value of future capital calls. Refer to note 19 for further details.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's Consolidated Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

As at the period end, the Group's underlying investments do not have imposed restrictions on redemptions. The Directors believe it remains appropriate to estimate their fair values based on NAV as reported by the Administrators of the relevant investments. Except for listed investments, the Directors believe that such NAV represents fair value because subscriptions and redemptions in the underlying investments occur at these prices at the consolidated statement of financial position date, where permitted.

Income

All income is accounted for on an accruals basis and is recognised in the Consolidated Statement of Comprehensive Income.

The Company receives fee rebates and donations from its investments. Please refer to note 4 for details.

The total column of this Statement represents the Group's consolidated statement of comprehensive income, prepared in accordance with IFRS as adopted by the EU and interpretations adopted by the International Accounting Standards Board (IASB). The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.

Expenses

Expenses are accounted for on an accruals basis. Expenses incurred on the acquisition of investments at fair value through profit or loss are charged to the Consolidated Statement of Comprehensive Income in capital. All other expenses are charged to the Statement of Comprehensive Income in revenue. Charitable donations are accounted for on an accruals basis and are recognised in the Consolidated Statements of Comprehensive Income. Expenses directly attributable to the issuance of shares are charged against capital and recognised in the Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Translation of foreign currency

Items included in the Group's Consolidated Financial Statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Consolidated Financial Statements are presented in Sterling (£), which is the Group's functional and presentational currency.

Transactions in currencies other than Sterling are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the Consolidated Statement of Financial Position are retranslated into Sterling at the rate of exchange ruling at that date.

Foreign exchange differences arising on retranslation are recognised in the Consolidated Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate of exchange at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated into Sterling at foreign exchange rates ruling at the date the fair value was determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

1. ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations not yet effective

At the date of approval of these Consolidated Financial Statements, the following standards and interpretations, which have not applied in these Consolidated Financial Statements, were in issue but not yet effective:

IFRS 9 - Financial instruments: Classification and measurement (effective date - 1 January 2015)
IFRS 10 - Consolidated Financial Statements (effective date - 1 January 2013)
IFRS 12 - Disclosure of interest in other entities (effective date - 1 January 2013)
IFRS 13 - Fair value measurement (effective date - 1 January 2013)
IAS 32 - Financial Instruments: Presentation (effective date - 1 January 2014)

Except for IFRS 10, the Board expects that the adoption of these standards in a future period will not have a material impact on the financial statements of the Group. IFRS 9, ‘Financial Instruments' was issued in December 2009 and addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for financial assets. The standard is not applicable until 1 January 2015 but it is available for early adoption. The Group is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the majority of the Group's financial assets are designated at fair value through profit or loss.

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. The new requirements of IFRS 10 are principally concerned with establishing whether an entity qualifies as an investment entity. Where an entity qualifies as an investment entity, it is required not to consolidate a subsidiary in accordance with the consolidation provisions of IFRS 10 but instead to measure its investment in the investee at fair value through profit or loss. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. IFRS 10 is expected to be endorsed in the EU for periods after 1 January 2014. The Board is currently assessing the impact of these changes on the financial statements of the Company.

Annual improvements to IFRS’s were issued by the IASB on June 2011 and contain minor amendments to standards for periods beginning on or after 1 January 2013. No material changes to accounting policies are expected as a result of these changes.

Presentation of the Statement of Comprehensive Income

In order to better reflect the activities of an investment company and in accordance with guidance issued by the Association of Investment Companies, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

2. TAXATION

During the period, the Company was exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and has paid an annual exemption fee of £600.

BACIT Investments LP Incorporated is transparent for taxation purposes. BACIT GP Limited is subject to tax in Guernsey at the standard rate of 0%.

The General Partner is incorporated and tax resident in Guernsey, its corporate affairs being managed solely in Guernsey. The General Partner's principal activity is to act as the general partner of the Partnership and, in its capacity as such, to manage the investment portfolio of the Partnership in return for a priority share of Partnership profit equal to 1% of the period end NAV of the Company (the "GP Profit Share"). In addition, the General Partner is entitled to be reimbursed certain of its expenses by the Partnership (but excluding expenses relating to the General Partner's employees). The General Partner has covenanted to donate the GP Profit Share in equal portions to the BACIT Foundation and the ICR. The individuals responsible for managing the Partnership's investment portfolio as employees of the the General Partner, such individuals being largely based in the UK, do not therefore receive any remuneration funded by the Partnership's activities. Having regard to the non-UK tax residence of the General Partner and the Company, and on the basis that the Partnership is treated as transparent for UK and Guernsey tax purposes and that the Partnership's business is an investment business and not a trade, no UK tax will be payable on either the General Partner's or the Company's shares of Partnership profit (save to the extent of any UK withholding tax on certain types of UK income such as interest and rents).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

3. DISTRIBUTION TO SHAREHOLDERS

The Company may pay a dividend at the discretion of the Board. The Board is targeting an initial dividend of 2% per annum of NAV, payable annually. The Group also proposes to offer a scrip dividend alternative, under which Shareholders may elect to receive new Shares in place of a cash dividend, subject to Shareholder approval, so that the cash that otherwise would have been distributed can be used for investment purposes. The Directors intend to seek Shareholder approval at each annual general meeting to offer a scrip dividend alternative. New Shares issued pursuant to any election for a scrip dividend shall be issued at the applicable NAV per Share. The scrip dividends are recognised as incurred where the dividend declaration allows for cash alternative.

Payment of any dividend will be subject to compliance with applicable laws and regulations. Notwithstanding the distribution policy described above, the Company retains the discretion to reinvest the proceeds of investments received by the Group. There were no distributions during the period.

Under the Companies (Guernsey) Law, 2008, the Company can distribute dividends from capital and revenue reserves, subject to net asset and solvency test.

4. REBATES AND DONATIONS

All investments made by the Group either (a) will not be subject to any management or performance fees or (b) will be made on the basis the Group is effectively reimbursed the amount of any such fees by rebate, donation back to the Group or other arrangements.

Rebates and donations received or receivable in cash are recognised in the Consolidated Statement of Comprehensive Income under Rebates and Donations. Rebates and donations received through additional shares of the relevant underlying funds are included in Rebates and Donations and the subsequent movements in value are included in the Net Gains on Financial Assets at Value Through Profit or Loss in the Consolidated Statement of Comprehensive Income. Performance fee rebates are adjusted to the fair value of the investments until they are crystallised. Crystallised performance fee rebates are recognised in the Statement of Comprehensive Income under Rebates and Donations.

During the period, rebates and donations earned amounted to £467,847, of which £169,584 remained receivable at the period end. Of the 26 underlying funds in the Consolidated Portfolio Statement, nineteen of these underlying funds are invested in a fee free share class and the remaining seven apply rebates and donations.

5. NET GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	26.10.12 to 31.03.13 £
Increase in unrealised appreciation during the period	27,077,127
Net gains on financial assets at fair value through profit or loss	27,077,127

6. LOSSES ON FOREIGN EXCHANGE

	26.10.12 to 31.03.13 £
Realised losses on forward currency contracts	(387,595)
Unrealised losses on forward currency contracts	(45,680)
Net exchange losses on foreign currency translation	(291,111)
	(724,386)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

7. CHARITABLE DONATION

In accordance with the Framework Agreement entered into between the Company and the ICR on 1 October 2012, the Group has an obligation to make an annual donation to charity, paid in arrears, of 1% of the period end NAV, half of which is donated to the ICR and the other half to the BACIT Foundation. The BACIT Foundation will grant those funds to charities named in a list proposed annually by the BACIT Foundation which will include the ICR, in proportions determined each year by Shareholders of the Company. The list of charities will be sent to Shareholders at or around the same time as the issuance of the Company's Annual Report. The first such payment will be paid in respect of the partial year ended 31 March 2013, pro-rated in respect of the period from the Company's date of launch. The annual donations will generally be funded primarily from investment income received from the underlying investments of the Group or the proceeds from investment disposals and borrowings.

During the period, charitable donations amounted to £985,658 which remained payable as at 31 March 2013.

8. ADMINISTRATION FEE

The Group's administrator is Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator"). The Administrator is entitled to receive an annual fee of up to 7.5 basis points of the NAV of the Company, calculated monthly in arrears, subject to a minimum fee of £120,000 per annum. Fees will be reviewed on an annual basis. In addition, the Administrator and any of its delegates will also be entitled to reimbursement of certain expenses incurred by them in connection with their duties.

An initial charge in respect of work for the authorisation and initial set up of the structure amounting to £30,000 has been charged and included in Share Issue Costs (Note 13).

The Administration fees of the Subsidiaries are charged on a time spent basis, excluding company secretarial fees amounting to £3,000 per annum.

During the period ended 31 March 2013, administration fees of £73,948 were charged to the Group and £39,516 remained payable at the period end.

9. CUSTODIAN FEE

The Group's Custodian is Northern Trust (Guernsey) Limited (the "Custodian"). The Custodian is entitled to receive an annual fee of up to 5 basis points of the NAV of the Group, calculated monthly and payable monthly in arrears, subject to a minimum fee of £20,000 per annum, together with transaction charges.

During the period ended 31 March 2013, custodian fees of £49,300 were charged to the Group and £18,760 remained payable as at the period end.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.03.13
	£
Cost at the start of the period	-
Purchases during the period	169,231,291
Cost of Investments at the end of the period	169,231,291
Net unrealised gains on investments end of the period	27,077,127
Financial assets at fair value through profit or loss at the end of the period	196,308,418

11. TRADE AND OTHER RECEIVABLES

	31.03.13
	£
Rebates and donations receivable (Note 4)	169,584
Prepayments	11,324
Cash due on Deferred Share (Note 13)	1
	180,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

12. TRADE AND OTHER PAYABLES

	31.03.13
	£
Charitable donations payable (Note 7)	985,658
Directors' fee payable (Note 14)	24,383
Administration fee payable (Note 8)	39,516
Custodian fee payable (Note 9)	18,760
Audit fee payable	38,420
Other payables	57,783
	1,164,520

13. SHARE CAPITAL ACCOUNT

A. Authorised Share Capital

The Company is authorised to issue an unlimited number of shares, which may have a par value or no par value, as the Directors see fit. The shares can be issued as Ordinary Shares, C Shares or other such classes and in any currency at the discretion of the Board.

The Company is a closed-ended investment company with an unlimited life. The Ordinary Shares are not puttable instruments because redemption is conditional upon certain market conditions and/or Board approval. As such they are not required to be classified as debt under IAS 32 – "Financial Instruments: Disclosure and Presentation".

As the Company's Shares have no par value, the share price consists solely of share premium and the amounts received for issued shares are recorded in the Share Capital Account in accordance with the Guernsey Companies Law.

The Company’s Articles provide that Shareholders will be entitled to vote on the discontinuation of the Company every five years. The vote will require more than 50% of the votes cast on the resolution to be in favour to require the Directors to formulate proposals, to be put to Shareholders within six months of such resolution being passed, for the reorganisation or reconstruction of the Company. A special resolution of the Shareholders is required to wind up the Company, requiring a 75% vote.

The Company also has the authority, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008, to acquire up to 14.99% of the Shares in issue. The Company intends to renew this authority annually. However, the Directors have no current intention to utilise this authority.

Ordinary Shares of each class carry the right to receive all income of the Group attributable to the Ordinary Shares of such class and to participate in any distribution of such income made by the Group, pro-rata to the relative calculated NAV of each of the classes of Ordinary Shares and within each such class income shall be divided pari passu among the holders of Ordinary Shares of that class in proportion to the number of Ordinary Shares of such class held by them.

The Founder Share issued at the date of incorporation was redesignated by special resolution dated 28 September 2012, as a Deferred Share and transferred to the BACIT Foundation. This non-participating non-redeemable Deferred Share has no other rights to assets or dividends, except to payment of £1 on the liquidation of the Company and carries a right to vote only if there are no other classes of voting share of the Company in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

13. SHARE CAPITAL ACCOUNT (continued)

	26.10.12 to 31.03.13 £
Founder Share (1 Share issued at £1)	1
Ordinary Share Capital	
Balance at the start of the period	-
Issued during the period	206,734,775
Share issue costs	(2,673,619)
Balance at the end of the period	204,061,156

Ordinary Share Capital	26.10.12 to 31.03.13 Shares
Balance at the start of the period	-
Issued during the period	206,734,775
Balance at the end of the period	206,734,775

The following table analyses the charges included in share issue costs:

	26.10.12 to 31.03.13 £
Commission fees	1,519,478
Legal expenses	860,285
Accounting expenses	79,596
Receiving agent fees	19,425
Administration set up costs	30,000
LSE Listing fees	112,460
Website costs	25,000
Printing and marketing costs	24,023
Other expenses	3,352
Total share issue costs	2,673,619

Commission fees pertain to fees paid to the Company's Listing Sponsor, calculated at 80 basis points of the gross proceeds attributable to the issue of Ordinary Shares at the time of launch.

B. Capital Reserves

Gains and losses recorded on the realisation of investments, realised exchange differences, unrealised gains and losses recorded on the revaluation of investments held at the period end and unrealised exchange differences of a capital nature are transferred to Capital Reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

13. SHARE CAPITAL ACCOUNT (continued)

C. Basic and Diluted Earnings per Share

The calculation for the basic and diluted earnings per share attributable to the Ordinary Shares of the Group are based on the following data:

	26.10.12 to 31.03.13 £
Earnings for the purposes of earnings per share	25,548,063
Weighted average number of shares	206,734,775
Basic and diluted earnings per share	0.12

14. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Directors are responsible for the determination of the investment policy of the Group and have overall responsibility for the Group's activities. The Group's investment portfolio is managed by the General Partner, which is a wholly-owned subsidiary of the Company.

The Company has seven non-executive directors. All the Directors of the Company also serve as Directors of the General Partner.

Each of the Directors is entitled to receive a fee of £20,000 per annum, except for the Chairman who is entitled to receive a fee of £30,000 per annum. Mr Tigue and Mr Henderson have agreed to waive their right to receive their fees. For the Directors' interests on the Group please refer to the Directors and Other Interests section of the Director's Report.

Directors' fees for the period to 31 March 2013, including outstanding Directors' fees at the end of the period, are set out below.

	31.03.13 £
Directors' fees for the period	62,411
Payable at end of period	24,383

The Management Team of the General Partner provides management services to the Partnership free of charge.

In accordance with the Deed entered into between the Company, the General Partner and Mr Henderson, Mr Henderson agrees to provide office space and equipment for the Management Team and to either pay directly or reimburse the Group in respect of specific overheads of the Management Team up to an amount equal to £210,000 per annum.

Since inception, total expenses paid for by Mr Henderson amounted to £559,407.

In accordance with the Group's Articles of Incorporation, 50% of the Charitable Donations are made to The BACIT Foundation. The BACIT Foundation was incorporated in England and Wales on 17 May 2012 as a private company limited by guarantee, with exclusively charitable purposes and holds the Group's Deferred Share. Refer to Note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

14. RELATED PARTY TRANSACTIONS (continued)

During the period under review the following subscriptions in the Company's shares were made by members of the Management team:

	Number of Shares
Thomas Henderson	15,000,000
John McDonald	200,000
Arabella Cecil	200,000

Significant agreements

Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") performs administrative duties to the Group. The Administrator is entitled to receive an annual fee of up to 7.5 basis points of the NAV of the Company, calculated monthly in arrears, subject to a minimum fee of £120,000 per annum. Please refer to Note 8.

Northern Trust (Guernsey) Limited (the "Custodian") also serves as custodian to the Group, for which the Custodian is entitled to receive an annual fee of up to 5 basis points per annum of the NAV of the Company, calculated monthly and payable monthly in arrears, subject to a minimum fee of £20,000 per annum, together with transaction charges. Please refer to Note 9.

15. OPERATING SEGMENTS

The Group has a highly diversified portfolio of investments and as at 31 March 2013 no single investment accounts for more than 7.28% of the Group's Net Assets.

The Board has considered the requirements of IFRS 8 'Operating Segments', and is of the view that the Group's activities form a single segment under the standard, being investments in a diversified portfolio of hedge, equity and long-term alternative investment funds across multiple asset classes. From a geographical perspective, the Group's investments are managed on a global basis. The Board, as a whole, has been determined as constituting the chief decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance and to allocate resources is the total return based on the NAV per share, as calculated under IFRS. Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the Annual Audited Consolidated Financial Statements.

The Group is domiciled in Guernsey. Entity wide disclosures are necessary as the Group is engaged in a single segment of business, investing in hedge, equity and long-term alternative investment funds across multiple asset classes. In presenting information on the basis of geographical segments, segment investments and derivative financial instruments and the corresponding segment total income/expense income arising thereon are determined based on the domicile countries of the respective investment entities and derivative counterparties.

16. FINANCIAL INSTRUMENTS

In accordance with its investment objectives and policies, the Group holds financial instruments which at any one time may comprise the following:

- securities held in accordance with the investment objectives and policies;
- cash and short-term receivables and payables arising directly from operations; and
- derivative instruments including forward foreign currency contracts.

The financial instruments held by the Group are comprised principally of hedge, equity and long-term alternative investment funds.

Details of the Group's significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of its financial assets and liabilities are disclosed in Note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

16. FINANCIAL INSTRUMENTS (continued)

The table below analyses the carrying amounts of the financial assets and liabilities by category as defined in IAS 39 – "Financial Instruments: Recognition and Measurement".

	31.03.13 Fair Value £
Financial assets designated at fair value through profit or loss	
Listed Investments	69,132,436
Unlisted Investments	127,175,982
Total financial assets designated at fair value through profit or loss	196,308,418
Other financial assets	34,511,002

	31.03.13 Fair Value £
Financial liabilities designated at fair value through profit or loss	
Unrealised losses on open forward foreign currency contracts	(45,680)
Other financial liabilities	(1,164,520)

17. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS

The Group is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including market price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks have existed throughout the period and the Group's policies for managing them are summarised in the succeeding pages.

The risks below do not reflect the risks of the underlying investment portfolios of the financial assets at fair value through profit or loss (“investment entities”) in the Group's Consolidated Statement of Financial Position. The Group has very significant indirect exposure to a number of risks through the underlying portfolios of the investment entities however this is the intention of the Group in order to achieve capital gains. There is no sensible mechanism to "control" these risks without considerably prejudicing return objectives. Due to the lack of transparency in many of the underlying assets it is not possible to quantify or hedge the impact of these risks on the portfolio as each investment entity may have complex and changing risk dynamics that are not observable or predictable. These risks will include extensive interest, foreign exchange and other market risks which are magnified by significant gearing in many cases, resulting in increased liquidity and return risk.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Group’s activities expose it primarily to the market risks of changes in market prices, interest rates and foreign currency exchange rates.

Market price risk

Market price risk arises mainly from the uncertainty about future prices of the financial instruments held by the underlying funds. It represents the potential gain or loss the Group may suffer through holding market positions in the face of price movements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

17. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (continued)

Market price risk (continued)

Market risk encompasses the potential for both gains and losses and is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. Interest rate and foreign currency movement risks are covered elsewhere in this note. The overall market risk management of each of the holdings of the Group is primarily driven by their respective investment objectives. The Management Team assesses the risk in the portfolio by monitoring exposures, liquidity, and concentrations of the underlying funds' investments, in the context of the historic and current volatility of their asset classes, and the portfolio manager's risk appetite. VaR is useful as a statement and derivative of historic performance, and for the underlying investments a helpful indicator of their correlation. The Group has only a short data series for now, which means statistics are less useful today than they may become in time, but the Management Team does not set much store by VaRs predictive ability, either of future returns, or the volatility of those returns.

The maximum risk resulting from financial instruments is determined by their fair value. The overall market exposure as at 31 March 2013 is shown in the Consolidated Statement of Financial Position.

The Group's portfolio consists mainly of hedge, equity, and long-term alternative investment funds.

Foreign currency risk

Foreign currency risk arises from fluctuations in the value of a foreign currency. It represents the potential loss the Group may suffer through holding foreign currency assets in the face of foreign exchange movements. The Group's treatment of currency transactions is set out in Note 1 to the Consolidated Financial Statements under "Translation of foreign currency" and "Forward currency contracts". Currency risks may exist in the Group's underlying investments, the analysis of which has not been included as at period end.

The Group's Shares are denominated in Sterling and its operating expenses are incurred in Sterling, while the Group's investments are denominated in US Dollars, Euros and Sterling. The Group's functional and presentation currency is Sterling; hence the Consolidated Statement of Financial Position may be significantly affected by movements in the exchange rates between the foreign currencies previously mentioned. The Management Team, with advice from the Strategic Advisory Committee, manages exposure to currency movements by using forward foreign currency and currency option contracts to hedge total exposure. As at 31 March 2013, the Group had one open forward foreign currency contract.

	Sell	**Buy**	**Market Equivalent**	**Unrealised loss**
	€	**£**	**£**	**£**
One Sterling Forward Currency Contract				
Settlement date 28 May 2013	14,900,000	12,562,488	12,608,168	(45,680)
Total unrealised losses as at 31 March 2013				(45,680)

The following table presents the Group's assets and liabilities in their respective currencies.

				31 March 2013 Total
	US$	**€**	**£**	**£**
Financial assets at fair value through profit or loss	113,366,614	12,792,191	70,149,613	196,308,418
Bank and cash deposits	180,435	-	34,149,658	34,330,093
Trade and other receivables	166,381	-	14,528	180,909
Unrealised losses on forward currency contracts	-	(12,608,168)	12,562,488	(45,680)
Trade and other payables	-	-	(1,164,520)	(1,164,520)
	113,713,430	184,023	115,711,767	229,609,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

17. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (continued)

Foreign currency sensitivity analysis

The below details the Company's sensitivity to a 5% change in the Sterling exchange rate against the EUR and US Dollar currencies with all other variables held constant. The sensitivity analysis percentages represent the Management Team's assessment, based on the foreign exchange rate movements over the relevant period and of a reasonably possible change in foreign exchange rates.

		31 March 2013	
		US$	**€**
5% increase	£	(5,414,925)	(16,682)
5% decrease	£	5,984,917	18,447

Interest rate risk

Interest rate risk represents the uncertainty of investment return due to changes in the market rates of interest. Interest receivable on bank deposits or payable on bank overdraft will be affected by fluctuations in interest rates. All cash balances are at variable rates. Interest rate risks may exist in the Group's underlying investments, the analysis of which has not been included as at period end.

The Group is not exposed to significant interest rate risk as interests from bank balances are minimal due to low interest rates. Any excess cash and cash equivalents of the Group are invested at short-term market interest rates.

The Group’s continuing position in relation to interest rate risk is monitored on a monthly basis by the Management Team as part of its review of the monthly NAV calculations.

Interest rate sensitivity

Cash and cash equivalents will be affected by movements in interest rates. However, no material impact on the Consolidated Statement of Comprehensive Income or Consolidated Statement of Financial Position is expected due to the immateriality of interest rate risk at the period end.

Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Group. Credit risk in relation to securities transactions awaiting settlement is managed through the rules and procedures of the relevant stock exchanges. In particular settlements for transactions in listed securities are effected by the Custodian on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are effected against binding subscription agreements.

The principal credit risks for the Group are in relation to deposits with banks. Northern Trust (Guernsey) Limited ("NTGL") acts as the principal banker to the Group, and as custodian of its assets. The securities held by NTGL as Custodian are held in trust and are registered in the name of the Group subsidiary company BACIT Investments LP Incorporated. NTGL is a wholly owned subsidiary of The Northern Trust Corporation (“TNTC”). TNTC is publicly traded and a constituent of the S&P 500. As at 31 March 2013, TNTC has a credit rating of A+ from Standard & Poor’s and A1 from Moody’s. The credit risk associated with debtors is limited to any unrealised gains on open forward foreign currency contracts, as detailed above and other receivables.

Credit risk analysis

The Group’s maximum credit exposure is limited to the carrying amount of financial assets recognised as at the consolidated statement of financial position date, as summarised in the succeeding page:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

17. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (continued)

Credit risk analysis (continued)

	31 March 2013 £
Cash and cash equivalents	34,330,093
Trade and other receivables	180,909
	34,511,002

Fair Value

IFRS 7 requires the Group to establish a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 7 are set as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgment by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Group's financial assets and liabilities by level within the valuation hierarchy as of 31 March 2013:

				31 March 2013
	Level 1	Level 2	Level 3	Total
Assets	£	£	£	£
Financial assets at fair value through profit or loss:				
Investments in underlying funds	69,132,436	119,400,518	7,775,464	196,308,418
Total assets	69,132,436	119,400,518	7,775,464	196,308,418
Liabilities				
Financial liabilities at fair value through profit or loss:				
Unrealised losses on open forward foreign currency contracts	-	(45,680)	-	(45,680)
Total liabilities	-	(45,680)	-	(45,680)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

17. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (continued)

Fair Value (continued)

Assets classified as Level 2 investments are underlying funds fair-valued using the latest available NAV of each fund as reported by each fund's independent administrator.

Assets classified as Level 3 investments are underlying funds which prices are not traded. The fair value of these assets is derived from quarterly statements provided by the fund's independent administrator.

There were no transfers between levels during the period.

The following table presents the movements in level 3 investment:

	31 March 2013 £
Opening balance	-
Purchases	7,880,089
Loss on financial assets at fair value through profit or loss	(104,625)
Closing balance	7,775,464

The net unrealised loss for the period included in the Consolidated Statement of Comprehensive Income held at period end amounted to (£104,625).

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments in a reasonable timeframe or at a reasonable price.

The Group is exposed to the possibility that it may be unable to liquidate its assets as it otherwise deems advisable as the underlying funds or its managers may hold minimum holding periods and restrictions on redemptions. Further, there may be suspension or delays in payment of redemption proceeds by underlying funds or holdbacks of redemption proceeds otherwise payable to the Group until after the applicable underlying fund's financial records have been audited. Therefore, the Group may hold receivables that may not be paid to the Group for a significant period of time, may not accrue any interest and ultimately may not be paid to the Group. As at 31 March 2013, no restrictions existed in any of the Group's underlying investments.

The table below details the Group's liquidity analysis for its financial assets and liabilities. The table has been drawn up based on the undiscounted net cash flows on the financial assets and liabilities that settle on a net basis and the undiscounted gross cash flows on those financial assets and liabilities that require gross settlement.

	Within 1 month £	1 to 3 months £	3 to 12 months £	Greater than 12 months £	31.03.13 Total £
Financial assets at fair value through profit or loss	92,264,956	35,335,515	37,298,599	31,409,348	196,308,418
Cash and cash equivalents	34,330,093	-	-	-	34,330,093
Trade and other receivables	180,909	-	-	-	180,909
Unrealised loss on forward currency contracts	-	(45,680)	-	-	(45,680)
Trade and other payables	(178,862)	-	(985,658)	-	(1,164,520)
Total	126,597,096	35,289,835	36,312,941	31,409,348	229,609,220
Percentage	55.14%	15.37%	15.82%	13.68%	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

17. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (continued)

Liquidity risk (continued)

**The table in the previous page reflects the anticipated cash flow assuming notice was given to all underlying funds as at 31 March 2013. It includes a provision for "audit hold back" which most hedge funds apply to full redemptions and any other known restrictions the managers of the underlying funds may have placed on redemptions. Where there is currently no firm indication from the underlying manager on the expected timing of the receipt of redemption proceeds, the relevant amount is included in the "greater than 12 months" category. The cash flow projections are therefore conservative, but remain estimates.*

18. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital include the safeguard of the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group does not have externally-imposed capital requirements. See Note 19 for financial commitments of the Group in respect of the underlying investments.

The Group may incur indebtedness for the purpose of financing Share repurchases or redemptions, making investments (including as bridge finance for investment obligations), satisfying working capital requirements or to assist in payment of the Charitable Donation, up to a maximum of 20% of the NAV at the time of incurrence. The decision on whether to incur indebtedness may be taken by the Management Team within such parameters as are approved by the Board from time to time. While the Group has no intention to utilise gearing to assist with the acquisition of the Group's initial investments, it may do so for investment purposes in the future if, at the time of incurrence, it considers it prudent and desirable to do so in light of prevailing market conditions. There is no limitation on indebtedness being incurred at the level of the Group's underlying investments.

The gearing ratio below is calculated as total liabilities divided by total equity.

	31 March 2013
	£
Total assets	230,819,420
Less: Total liabilities	(1,210,200)
Total equity	229,609,220
Gearing Ratio	0.53%

The Board considers this gearing ratio to be adequate since total liabilities above refer only to gross exposure to trade and other payables and unrealised losses on open forward foreign currency contracts.

19. COMMITMENTS

The Group had the following commitments as at 31 March 2013:

Security description	**Currency**	**Total Commitment**	**Drawn Commitment**	**Undrawn Commitment**
Infracapital Partners (NT) II LP	Sterling	£15,000,000	£7,880,089	£7,119,911

There were no other contingent liabilities as at the consolidated statement of financial position date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 26 October 2012 to 31 March 2013

20. SUBSEQUENT EVENTS

These Consolidated Financial Statements were approved for issuance by the Board on 8 July 2013. Subsequent events have been evaluated until this date.

No significant post period end events have occurred in respect of the Group that are considered material to the understanding of these audited Consolidated Financial Statements.

On 8 July 2013, the Company approved dividends of 1.0 pence to be paid on 16 August 2013. This is in excess of the pro-rated yield of 2% on the issue price as indicated in the Company's prospectus.

The BACIT Foundation charity roster for the period ended 31 March 2013 is set out below:

Alzheimer's Research UK

Alzheimer's Research UK is a dementia research charity specialising in finding preventions, causes, treatments and a cure for dementia by funding world-class, pioneering research at leading universities. (www.alzheimersresearchuk.org)

The Alzheimer's Society

The Alzheimer's Society is a support and research charity for people with dementia, their families and carers. Its mission is to change the face of dementia research; demonstrate best practice in dementia care and support; provide the best advice and support to anyone dealing with dementia and influence government and society to enable those affected by dementia to live as they wish to live. (www.alzheimers .org.uk)

Beating Bowel Cancer

Beating Bowel Cancer is dedicated to saving lives by working in partnership with individuals, local communities, clinical communities and government to improve public awareness of bowel cancer and to increase the rate of early diagnosis. (www.beatingbowelcancer .org)

Downside Up

Downside Up provides support and advice for families raising children with Down Syndrome, develops innovative children's training and parents' support methods, disseminates knowledge and experience among Russian professionals and society, and works towards raising public awareness about Down Syndrome with the aim of changing attitudes.
(www.downsideup.org/en)

The Egmont Trust

The Egmont Trust is dedicated to improving the lives of children living with HIV and AIDS in sub-Saharan Africa through one smart, cost-effective project at a time. (www.egmonttrust.org)

The Institute of Cancer Research

The Institute of Cancer Research, London, is one of the world's most influential cancer research institutes, with an outstanding record of achievement dating back more than 100 years. Today, the ICR is ranked as the UK's leading academic research centre, and leads the world in isolating cancer-related genes and discovering new targeted drugs for personalised cancer treatment. The ICR employs leading scientists from over 50 countries around the world and since 2005 alone, 16 drug development candidates have been discovered based on ICR research, 6 of which have progressed into phase 1 clinical trials. The ICR has charitable status and relies on support from partner organisations, charities and donors to fund its research and innovation. (www.icr.ac.uk) .

The James Wentworth-Stanley Memorial Fund

The James Wentworth-Stanley Memorial Fund was set up by James's parents to help raise awareness of anxiety, depression and suicide among young people and to tackle the terrible and shocking statistic that suicide is the second largest cause of death amongst young men in the UK. (www.jwsmf.org)

JDRF

JDRF (formerly known as the Juvenile Diabetes Research Foundation) is a charitable organisation dedicated to funding type 1 diabetes research. JDRF's stated mission is to improve the lives of all people affected by T1D by accelerating progress on the most promising opportunities for curing, better treating, and preventing type 1 diabetes. (www.jdrf.org.uk)

The Louis Dundas Centre for Children's Palliative Care
The Louis Dundas Centre for Children's Palliative Care is intended to be a world-class centre of research, teaching and practice in palliative care for children and young people. (www.gosh.org/louis-dundas-centre)

Maggie's
Maggie's is about empowering people to live with, through and beyond cancer by bringing together professional help, communities of support and building design to create exceptional centres for cancer care. Maggie's runs centres where people are welcome at any time, from having just been diagnosed, or undergoing treatment, to post-treatment, recurrence, end of life or in bereavement. (www.maggiescentres.org)

Marie Curie Cancer Care
Marie Curie Cancer Care's vision is that everyone with cancer and other illnesses will have the high quality care and support they need at the end of their life in the place of their choice. It is dedicated to providing specialist homes for the care of cancer patients; providing nursing for patients at home; educating the public on cancer symptoms and treatment and providing urgent welfare needs. (www.mariecurie.org.uk)

NSPCC
The NSPCC was founded in 1884. Its vision is still to end cruelty to children in the UK. The NSPCC protects children across the UK through a wide range of services for both children and adults, including national helplines and local projects. (www.nspcc.org.uk)

The Rwanda Hope Foundation
The Rwanda Hope Foundation (RHF) represents a new approach to fighting poverty. Through enterprise education programmes and a revolving debt/equity fund, RHF will help local Rwandan entrepreneurs and social entrepreneurs to grow their SMEs. Donations to RHF (website launching soon) will be made to Prism the Gift Fund for onward transmission by it to RHF. (www.prismthegiftfund.co.uk)

Scope
Scope campaigns for the full inclusion and equal participation of disabled people in society. It also operates support services such as schools, a college, residential care, training, short breaks and a helpline providing information and advice on disability. (www.scope.org.uk)

SSAFA Forces Help
SSAFA Forces Help is one of the UK's leading armed forces charities. It provides practical, financial and emotional support to anyone who is currently serving or has served in the Army, Navy or RAF, and their families, and has been running for over 125 years. (www.ssafa.org.uk)

Women for Women International
Women for Women International works with socially excluded women in eight countries where war and conflict have devastated lives and communities. (www.womenforwomen.org.uk)